Annual Report
2006-07

Housing

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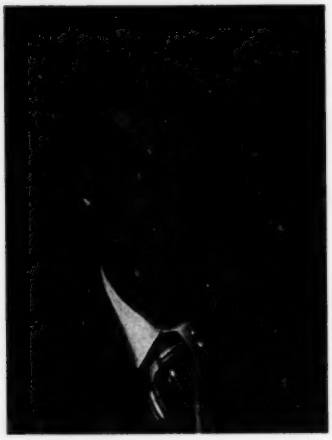

Message from the Chair

I am pleased to present the 2006-07 Annual Report for Newfoundland Labrador Housing (*Housing*). Research has shown there are many benefits for individuals and families who live in safe affordable housing. Research has linked good housing with educational achievement, a positive determinant of health, self sufficiency and personal development. From a public policy perspective, access to affordable and suitable housing is vital for our most vulnerable citizens; especially those with health and social concerns.

Housing works in partnership with communities, the private sector and other government departments and agencies to identify changing housing needs across the province. While we attempt to respond to identified provincial housing needs, it must be recognized that *Housing* is experiencing tremendous cost pressures with an aging public housing portfolio and declining federal resources. We recognize that the historical models of funding are not sustainable in the long term. Our biggest challenges are to find new ways of assisting families and individuals in the greatest need and to regenerate the existing public housing stock to meet the needs of the applicants on our waiting lists.

This report provides an overview of the key results, financial information and challenges for fiscal year 2006-07. With the commitment of *Housing's* dedicated staff, I am confident we can meet the challenges ahead and continue to provide the best possible housing options to those most in need throughout the province.

This Annual Report was prepared in accordance with the T*ransparency and Accountability Act* and was prepared under the direction of the Board of Directors of *Housing.* The Board of Directors are accountable for achieving the specific goals, objectives and results reported in this document. This report addresses *Housing's* activities and outcomes from April 1, 2006 to March 31, 2007.

Len Simms
Chair of the Board of Directors
Officer

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1.0 Introduction

In fulfilling its commitment to being accountable to the citizens of Newfoundland and Labrador, the Provincial Government introduced the *Transparency and Accountability Act* (the *Act*). This Act provides the legislative framework for strengthening accountability of government entities through multi-year performance-based plans and annual performance reports that are presented in the House of Assembly.

Newfoundland Labrador Housing (*Housing*) is considered a Category 1 Government Entity within the context of the *Act*. In accordance with the *Act*, *Housing* must report on the activities for fiscal year 2006-07. This annual report outlines *Housing's* progress during 2006-07 in achieving a mandate of developing and administering housing assistance programs for the benefit of low and moderate income families.

2.0 Overview

Vision

The vision of Newfoundland Labrador Housing is of safe and affordable housing for all residents of the province.

Mission

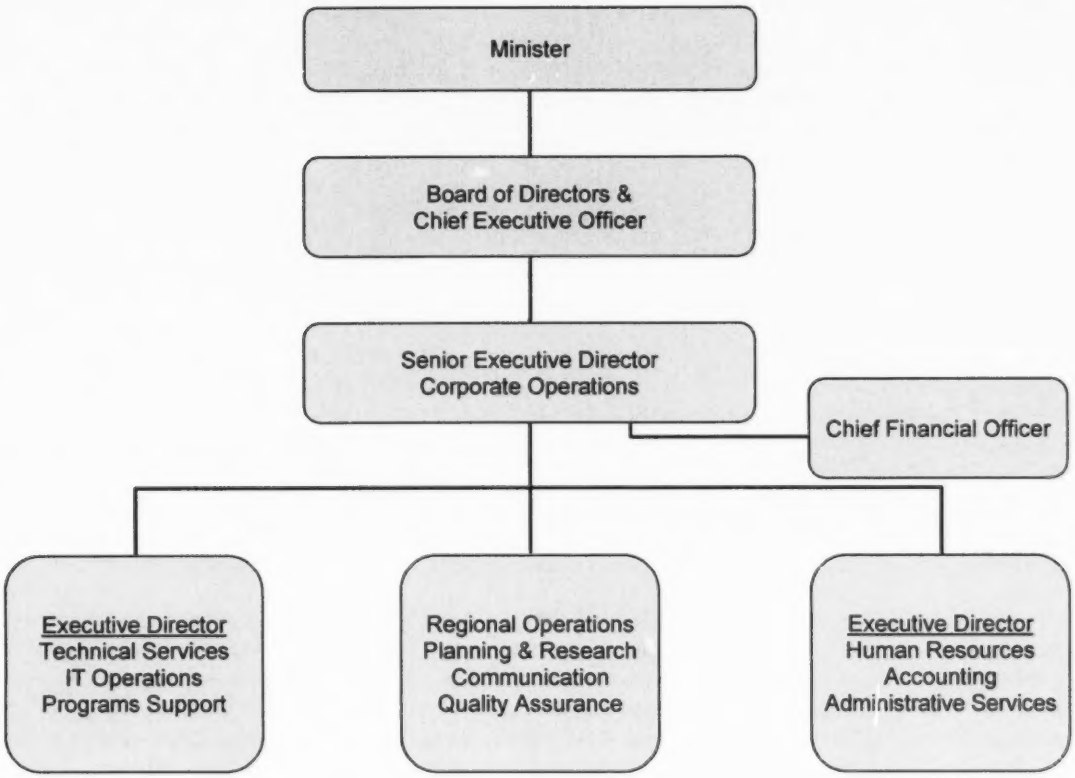
By 2011, the Newfoundland Labrador Housing will have improved the housing circumstances of low and moderate income households to address housing needs within the province of Newfoundland and Labrador.

Organization

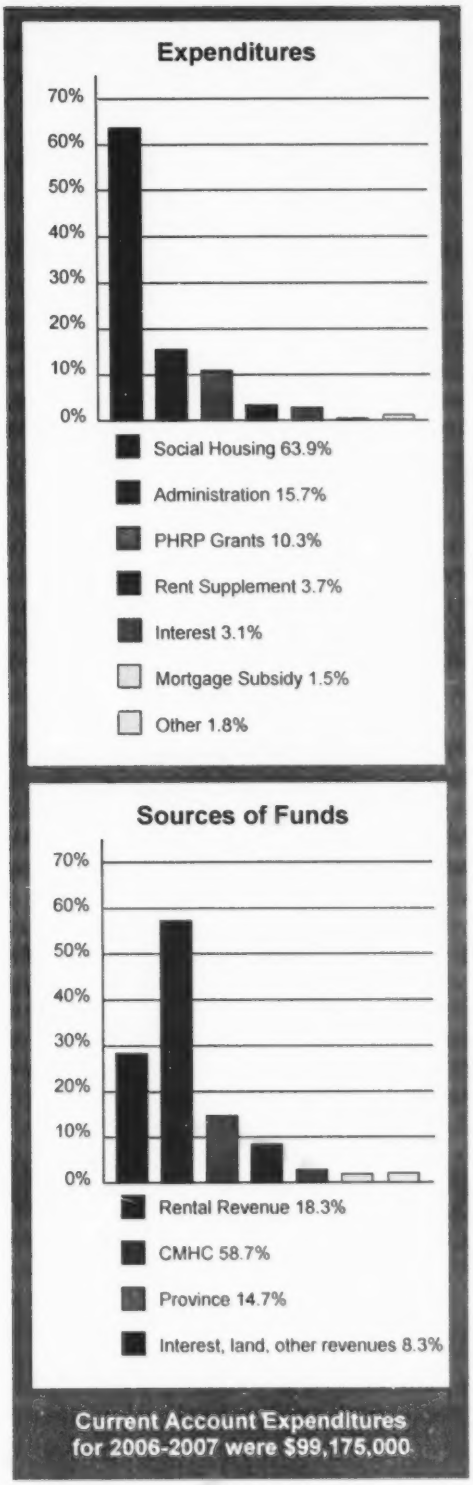
Newfoundland Labrador Housing (*Housing*) is a provincial crown corporation which operates under the authority of the *Housing Corporation Act,* and is responsible for the implementation of government's overall public housing policy and programs. *Housing* is governed by a board of directors appointed at pleasure by the Lieutenant Governor in Council and reports to the Government of Newfoundland and Labrador through the Minister of Human Resources, Labour and Employment, Minister Responsible for *Housing*. The Chairman of the board serves in a dual capacity as Chief Executive Officer and is responsible for *Housing's* day-to-day operations.

Programs and policies are delivered in five regions across the province. These regions are: the Avalon Peninsula, Burin Peninsula, Central, Western and Labrador. *Housing's* head office is located in St. John's. *Housing* has a staff complement of 304 permanent and temporary positions and employs an additional 75 employees on a seasonal basis. A regional administrative structure ensures all residents of the province have access to the programs and services provided through *Housing* by the Government of Newfoundland and Labrador.

The Organizational Structure of *Housing* for 2006-07



Corporate Profile



Total subsidized households served in 2006-07:		12,600
Subsidized rental housing units	5,500	
Subsidized Community housing units	5,100	
Subsidized Rent Supplement units	1,000	
Subsidized Mortgage units	1,000	
Private Non-Profit partnerships formed since 1986		100
Total number of units given conditional approval under the federal/provincial Affordable Housing Program in 2006-07		156
Total number of units given final approval under the federal/provincial Affordable Housing Program in 2006-07		57
Federal/provincial funding provided to community-based housing groups in 2006-07		$9.9 million
Value of grants and loans provided to homeowners under the Provincial Home Repair Program (PHRP) in 2006-07		$10.2 million
Number of mortgage and home repair loans on repayment		4,347
These loans are valued at:		$23.5 million
Maintenance and repair expenditures on *Housing* rental units in 2006-07		$9.4 million
Modernization and Improvement expenditures on *Housing* rental units in 2006-07		$4.7 million
Housing-funded tenant associations as of 2006-07		33
Community Centres operating province-wide and serving approximately 1,400 families and 5,600 individuals		7

Mandate

Newfoundland Labrador Housing is a crown corporation whose mandate is to develop and administer housing assistance programs for the benefit of low-to-moderate income households throughout the province.

Lines of Business

The lines of business provided by Newfoundland Labrador Housing are:

1. Social Housing

The purpose of the Social Housing business line is to provide subsidized rental accommodation for those who meet specified criteria. Social housing assistance is subject to the number of available units funded in either the public housing or private rental stock.

2. Housing Supply Assistance

The purpose of the Housing Supply Assistance business line is to provide forgivable loans, in accordance with the following criteria:

- to property owners for critical repairs or modifications to residential dwellings;
- to public, private and non-profit organizations to stimulate the development of new affordable rental housing stock for low-to-moderate income households as determined by *Housing*.

3. Community-Based Housing

The purpose of the Community-Based Housing business line is to provide financial, technical, and/or administrative support to non-profit, co-operative and health sector housing providers who meet specified criteria. These projects receive subsidies under various types of funding and/or operating agreements.

4. Real Property Stewardship

The purpose of the Real Property Stewardship business line is to develop and/or divest of corporate land and property holdings. This business line also encompasses management of financial interests in lands divested to municipalities, and properties financed by *Housing* and operated by government departments and boards.

3.0 Shared Commitments

Housing collaborates with a variety of key partners, to help ensure the best possible service is provided to those most in need of housing accommodations throughout the province. These partnerships provide access to additional resources and enable our clients and stakeholders to have input in our programs and services.

Poverty Reduction Team

Government has determined that the best practices for addressing poverty is an integrated approach that engages community partners as well as all government departments. Those departments and agencies include: Human Resources, Labour and Employment, Newfoundland Labrador Housing, Aboriginal Affairs,

Education, the Status of Women, Finance, Health and Community Services, Innovation, Trade and Rural Development, Rural Secretariat and Justice.

As a member of government's Poverty Reduction Team, in 2006-07, *Housing* created two initiatives within social housing that may alleviate and prevent poverty:

> **Education Incentive:** A financial incentive was offered to the children of tenants and to adult tenants to stay in school. A rental rebate of $25 per month, per qualifying household member, was available to students attending high school levels two through four as well as students attending post-secondary institutions. Encouraging tenants and their children to remain in school may ultimately result in increased employment opportunities.
>
> **Adjust the Rent-Geared-to-Income (RGI) scale from "gross" to "net" calculation**: *Housing* changed the rent calculation rate for households with employment income. The RGI scale that is used to determine the monthly rent paid by social housing tenants was based on "gross income". Beginning in 2006-07 the rental rate for households with employment income is calculated using "net pay". This enables households to retain a greater portion of income to improve their quality of life and may provide an incentive for continued employment.

Provincial Housing Strategy

In 2006, the Social Housing Review Committee recommended that a Provincial Housing Strategy be developed to position the province to meet the current and future housing needs of low income individuals and families. *Housing* was appointed chair of a committee that includes: Human Resources, Labour and Employment, Health and Community Services and Justice to oversee the development of the strategy. In 2006, the Committee held five regional meetings attended by 118 participants representing 87 organizations.

The strategy will include the following key elements: broad-based policies, goals, objectives and measurable targets; a formalized mechanism for collaboration and linkages across government departments and agencies; a multi-year infrastructure strategy; a long-term provincial funding approach; an assessment of future demand for affordable and social housing; a partnership framework for social housing that identifies the roles of government and other sectors in the governance, delivery and financing of social housing; an approach to the development and implementation of a provincial strategy for supportive services, including supportive housing.

The housing policy framework will take into account and be consistent with government's strategic directions regarding poverty, healthy aging, rural Newfoundland and Labrador and the Northern Strategic Plan for Labrador, and other major initiatives.

The Poverty Reduction Initiatives and the Provincial Housing Strategy partially fulfils the strategic direction given by Government to address the issues of providing sustainable affordable housing for those most in need and to reduce and alleviate poverty within the province.

Provincial Healthy Aging

The Government of Newfoundland and Labrador placed a priority on developing a Provincial Healthy Aging Policy Framework and Implementation Plan. In 2006, a discussion document and senior's profile titled "Healthy Aging for All in the 21st Century" was widely distributed to the public. Consultations were held and a provincial forum took place in June 2006. An Interdepartmental Working Group on Healthy Aging was established in 2006-07 to develop initiatives and an Implementation Plan arising from the policy framework. *Housing* joined the Interdepartmental Working Group in early 2007.

4.0 Results of Objectives

Issue One: New demand – single, elderly, disabled

The majority of the provincial social housing stock was constructed more than twenty years ago and designed for larger families. Almost 80% of the portfolio consists of three or more bedrooms. Almost 85% of all applicants for public housing are single parents, single individuals (non-seniors) and seniors (singles and couples) who require one or two bedroom units. Provincial statistics indicate that 93% of single-parent families are women and 72% of one-person occupants are women.

Federal funding for new construction has not been available to the province since 1994. In that year, 12 units were built in St. Anthony; mainly for seniors. New public housing has not been constructed in the St. John's area since 1990. In 1990, 20 infill units were constructed in the downtown area and 14 units were built in Conception Bay South for families.

In May of 2003, new federal and provincial funding became available under the Affordable Housing Program. Phase I of this agreement provided $15 million in federal funding. In November of 2005, Phase II of the Affordable Housing Program was signed. The Phase II agreement matched $5 million in federal funding with $5 million in provincial funding. The Affordable Housing Program offered the greatest opportunity for *Housing* to increase the number of available units for specific target groups by working with the private sector and community-based groups. Under the Affordable Housing Program some of the available funding was redirected, on a pilot project basis, to regenerate a limited number of public housing units to meet the needs of smaller families. These public housing units were selected from the units no longer funded by Canada Mortgage and Housing Corporation (CMHC).

Goal One: By 2008, Newfoundland Labrador Housing will have increased the number of available units for non-elderly single, elderly, and disabled clients.

Objective 1: By 2007, Newfoundland Labrador Housing will have increased the number of units available for elderly and disabled clients through the Affordable Housing Program.

Measure: Increased number of units

The process of developing program guidelines and completion of Request for Proposals for the Affordable Housing Programs resulted in a delay in launching the program. Between April 2006 and January 2007, Housing received 33 proposals from the private sector and 6 from the non-profit sector to construct a total of 341 units. However, not all proposals were in keeping with the program guidelines resulting in 90 units being constructed by the private sector in 2006-07. The guidelines called for 10% to be developed as accessible units; 9 disabled units, as well as 50 units targeted to seniors, were completed. The remaining 31 units were targeted to low and moderate income individuals and families.

Indicators	Accomplishments 2006-07
Number of units available for disabled clients.	Under the Affordable Housing Program 90 units were constructed in 2006-07, and 10% or 9 of those were available for disabled clients.
Number of units available for elderly clients.	Under the Affordable Housing Program 90 units were constructed in 2006-07, and 56% or 50 were available for elderly clients.

The following outlines the objective and relevant performance indicators for the upcoming 2007-08 fiscal year.

By 2008, Newfoundland Labrador Housing will have increased the number of units available for non-elderly single clients.

Measure: Increased number of units.
Indicator: Number of units available for non-elderly single clients.

Issue Two: Financial Sustainability

In 1997, the province signed the Canada-Newfoundland Social Housing Agreement which transferred the responsibility of the management and administration of the social housing programs to the province. This agreement specified how much federal funding would decrease each year until the year 2038; the last year for federal funding for social housing. Originally, federal funding was designed to support the operation and maintenance of social housing units by cost sharing the operating losses of social housing. The losses for social housing were calculated based upon two considerations: 1) specific funding for mortgage repayment and 2) the availability of rent-geared-to-income rental charges for tenants.

At the present time, CMHC contributes 58.7% of *Housing's* annual budget. The rental payments account for 18.3% of the annual budget and the sustaining grant from the provincial government is 14.7%. The withdrawal of federal funding will threaten the future viability of social housing for low income households whose rental payment will always be less than the cost of operating these units. In addition, there are two other financial pressures that must be addressed: the heat subsidy program and the need to improve the condition of the aging public housing stock. Issue Two, financial sustainability, was selected as a means to comprehensively address all elements in the development of a long-range plan to address the future financial viability of *Housing*. This is in support of the strategic direction on this issue, received from the Minister Responsible for Housing.

Goal Two: By 2008, Newfoundland Labrador Housing will have presented to the provincial government, a board-approved long-term budgetary plan to address declining revenues and changing demand.

Objective 1: By 2007, Newfoundland Labrador Housing will have undertaken a study which analyzes declining revenues and changing demand.

Measure: Study completed

Indicators	Accomplishments 2006-07
Establish type and cost of programs. Develop revenue options and preferred choices.	Work began in 2006-07 to prepare draft documents on the profile of social housing, program cost information and revenue options toward preparation of a long-term budgetary plan. After commencing work on the long-term budgetary plan, *Housing* was directed by Government to begin development of a Provincial Housing Strategy. The long-term budgetary plan will be integrated in the Provincial Housing Strategy.

The following outlines the objective and relevant performance indicators for the upcoming 2007-08 fiscal year.

By 2008, Newfoundland Labrador Housing will have presented to the provincial government, a board-approved long-term budgetary plan to address declining revenues and changing demand.

Measure 1: Financial analysis completed
Indicator: Completion of the financial profile for Newfoundland Labrador Housing Programs

Issue Three: Improving Energy Efficiency in Public Housing

Housing spends approximately 10% of its annual current account budget on the cost of energy. Although this funding has remained the same for the last ten years, high world oil prices have resulted in escalating costs for both oil and electricity. *Housing* operates a heat subsidy program whereby tenants receive a heat subsidy based upon the location and size of their unit. This funding is capped. The heating subsidy provides direct financial assistance to tenants to comfortably heat their homes and serves to protect the housing stock by providing heat to control the build up of moisture. The cost increases for energy have created significant pressure on the Corporation to stay within overall budget levels.

Many public housing units were constructed before high energy costs were ever a consideration. There are a significant number of units heated by large systems that provide heat to multiple units from a single heat source. These large heating systems have exceeded their useful life. An energy management plan is required to address the replacement options for the large heating systems, to evaluate opportunities for energy efficiency in the older housing stock and to cost effectively manage heat subsidy arrangements for existing tenants.

Goal Three: By 2008, Newfoundland Labrador Housing will have developed an energy efficiency retrofit plan for certain *Housing* owned properties.

Objective 1: By 2007, Newfoundland Labrador Housing will have completed an energy efficiency study for certain *Housing* owned properties and will have designed a pilot project on heating system conversion for that property.

Measure 1: Energy management plan completed.

The energy efficiency management plan will examine current practices regarding the renovation and upgrading of the existing social housing portfolio, and highlight ways to improve energy efficiency from various parts of the building envelope (doors, windows, siding, roofs, etc.). As part of the overall energy efficiency management plan, an energy efficiency study will be completed regarding heating system conversions that are proposed as part of larger renovation projects during 2006-07.

Indicators	Accomplishments 2006-07
Report completed.	An energy efficiency study was planned regarding heating system conversions of 8 units on Froude Avenue and 8 units on Chalker Place. The Froude Avenue conversion was completed in June 2007. Comparative cost data regarding the new heating system was not available during 2006-07. A contract for the Chalker Place conversion was not awarded, as prices received far exceeded the budget. Variance noted in the next indicator.

Indicators	Accomplishments 2006-07
Executive Committee approval.	Given the potential savings that a good energy efficiency plan could provide, the Executive Committee requested more in-depth and comprehensive study, and approval was given to extend the submission deadline to the Executive on this plan.

Measure 2: Pilot Project Designed.

Indicators	Accomplishments 2006-07
Tender issued.	A pilot project was designed for energy retrofit of 8 units on Froude Avenue and 8 units on Chalker Place. Froude Avenue tender was issued November 11, 2006. Chalker Place tender was issued January 17, 2007.
Design drawings completed.	Froude Avenue design drawings were completed November 2006. Chalker Place design drawings were completed January 2007.
Contract awarded.	Froude Avenue contract was awarded December 15, 2006. Chalker Place contract was not awarded, as prices received far exceeded the budget.

The following outlines the objective and relevant performance indicators for the upcoming 2007-08 fiscal year.

By 2008, Newfoundland Labrador Housing will have developed an energy management plan for renovation activity on *Housing* owned property.

Measure: Energy Management Plan developed.

Indicators: Pilot project completed
Energy Management Plan completed

Issue Four: Renovations/Retrofits

An integral part of capital management is the development of a property plan which addresses 1) regular maintenance and 2) modernization and replacement requirements. Although the first public housing unit was built more than forty years ago, the majority of the units were constructed in the 1970s and 1980s; 75% were built more than 20 years ago. In recognition of the aging public housing stock, an in-house analysis of the existing housing portfolio was completed on a small sample of projects in 2001. This report concluded that $11 million would be required annually to keep up with the deterioration. The current $5 million annual modernization and improvement budget has remained unchanged for more than ten years and continues to be allocated on a critical need basis. Due to deferred maintenance and modernization, there are a number of projects within the public housing portfolio that will require considerable renovations in order to extend their useful life. A broad based assessment of the condition of the portfolio will identify a number of long-term options for the revitalization of the existing public housing stock.

Goal Four: By 2008, Newfoundland Labrador Housing will have completed the condition reports of all public housing units

Objective 1: By 2007, Newfoundland Labrador Housing will have completed condition reports for 85% of all public housing units and completed renovations on 400 units.

Measure 1: Condition reports completed

Indicators	Accomplishments 2006-07
Percentage of portfolio completed.	87% of condition reports have been completed for public housing units at March 31, 2007. Accurate condition reports regarding the public housing portfolio ensures that renovation funding is directed to the buildings that are most in need of remedial action.

Measure 2: Public housing units renovated

Indicators	Accomplishments 2006-07
Number of units renovated.	By March 31, 2007, Newfoundland Labrador Housing had completed renovations on 325 social housing units, province-wide. These renovations included building envelope upgrades (doors, windows, siding, roofs, etc.) as well as less extensive renovations. In addition, some 350 units underwent oil tank replacement and electrical conversion in order to comply with pending provincial regulations. Renovations to the public housing portfolio enhance the living conditions of social housing tenants and improve neighbourhoods throughout the province. This is in support of the strategic direction provided by the Minister Responsible for Housing on this issue.

The following outlines the objective and relevant performance indicators for the upcoming 2007-08 fiscal year.

By 2008, Newfoundland Labrador Housing will have completed condition reports for 100% of public housing units and completed renovations on an additional 400 units.

Measure 1: Condition reports completed
Indicator: Percentage of portfolio completed

Measure 2: Public housing units renovated
Indicator: Number of units renovated

5.0 Additional Highlights and Accomplishments

Increased Provincial Support for Housing Programs

In 2006-07, the province was able to increase funding for social housing programs to over $15M. This was due to an upswing in the economy and an increase in general revenue. Prior to this time, funding had been capped at between $9M and $10M for the previous four years.

Housing Administration Study

Housing completed a Housing Administration Study in 2006 which recommended a change to the Rent-Geared-to-Income scale for working households which as mentioned previously was put forward as an initiative under the Poverty Reduction Strategy. Other recommendations arising from this study were implemented to improve service provided to *Housing* clients.

Provincial Home Repair Program

Housing provided $5.5M in 2006-07 to repair over 1,800 homes under the Provincial Home Repair Program. This funding assisted low-income homeowners to make needed repairs to the exteriors of their homes and to address life safety issues. Assistance was also provided to seniors and persons with disabilities to make modifications to allow them to remain in or return to their homes.

Rental Rehabilitation Programs

In 2006-07, over $1.2M was spent to deliver 24 beds and rehabilitate 132 units under the Rental Rehabilitation Program. The funding was provided to owners, entrepreneurs, non-profit groups and First Nations to repair and upgrade property. This program provided emergency shelter, second stage and permanent housing for victims of violence, persons with substance abuse problems, the homeless, youth at risk, persons with special medical issues such as those living with Aids, seniors and other low income families.

Atlantic Seniors Housing Research Alliance

Housing is a member of the Atlantic Seniors Research Alliance (ASHRA) a group dedicated to undertaking research around key issues facing seniors living in Atlantic Canada. ASHRA's main focus is to build a detailed picture of aging Atlantic Canadians and their potential living arrangement needs over the next 20 years, examine emerging options in housing choices, support services, and policies that can effectively meet them. In 2006-07 ASHRA conducted focus groups and undertook the "Seniors Housing and Support Services Survey" which clearly demonstrated that seniors want to age in place.

Housing Computer Systems Replacement

To streamline operations and to better serve its clients, *Housing* recognized the need to replace its aging computer systems. Vendor support for the current computer systems was also ending. A Request for Proposals to replace the aging systems was completed in 2005, and in 2006 Anite Public Sector was selected to replace some of the systems. On-site configuration and set up began in November 2006 and work is on-going. *Housing* anticipates "going live" early in 2008.

Housing's Scholarship Program

Each year *Housing* awards nine educational scholarships of $1,000 each. The youth winners are awarded based on the results of the Provincial Scholarship Exam. Winners of the adult scholarships are selected based on an interview that assesses initiative as well as community and work experience. The 2006-07 scholarship winners* are:

Youth Winners –Tenants' Children
Matthew Fry, Cupids Crossing
Robyn Sheppard, Gander
Crystal Hann, Corner Brook

Youth Winners-Employees' Children
Sarah Lynch, St. John's
Andrew Noftall, Mount Pearl
Vanessa Turbrett, Grand Falls-Windsor

Adult Winners
Denise Bradley, St. John's
Elaine Ryan, Grand Falls-Windsor
Swarit Garg, Stephenville

Scholarship winners' names are only published with their consent

6.0 Opportunities and Challenges Ahead

As with any government department or agency, social, fiscal and economic challenges often impact the programs and services delivered to clients. *Housing* has some of the oldest social housing stock in the country, and the ability to upgrade and renovate this housing portfolio has presented significant challenges over the years, as the organization tries to work within well-defined funding levels. Add to this, changing demographics such as population shifts, family composition, an overall aging population with a growing need for accessible and supportive housing, and increased energy costs, all have contributed to the challenges facing *Housing*.

The continued decline in CMHC funding, which began in 2002, will have a large impact on the province's ability to meet even the current demands for social housing. The financial burden on the province to find significant funding needed for ongoing maintenance, modernization, replacement and continued subsidization of social housing with be a challenge for *Housing*.

Opportunities to address these challenges do exist, and the Canada-Newfoundland and Labrador Affordable Housing Agreement is one such opportunity. This joint federal/provincial program provides funding of over $30 million to help create and retrofit 680 affordable rental housing units in the province over a four-year period.

Housing will continue to seek opportunities to maximize program and policy benefits through its ongoing partnership with government departments, agencies and community-based groups throughout the province. The Provincial Housing Strategy scheduled to be completed in the fall of 2008 also offers an opportunity to address the challenges facing social housing in the province.

7.0 Financial Statements

Auditor's Report

To the Chairperson and Members
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Housing Corporation as at 31 March 2007 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
22 June 2007

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
BALANCE SHEET
31 March

	2007 (000's)	2006 (000's)
ASSETS		
Accounts receivable (Note 2)	$ 2,631	$ 1,852
Due from Canada Mortgage and Housing Corporation (CMHC)	3,274	-
Due from the Province of Newfoundland and Labrador		
- Labrador Housing Programs (Note 3)	5,041	5,805
Inventory and prepaid expenses (Note 4)	3,406	3,273
Mortgages and loans receivable (Note 5)	21,237	26,194
Receivable from municipalities re: land transfers (Note 6)	1,967	2,384
Repossessed units (Note 7)	20	7
Land assemblies (Note 8)	8,745	7,684
Rental properties (Note 9)	209,784	218,823
Capital assets (Note 10)	7,191	5,755
	$ 263,296	$ 271,777
LIABILITIES AND EQUITY		
Bank indebtedness (Note 11)	$ 3,548	$ 2,110
Accounts payable and accrued liabilities	11,794	9,200
Due to CMHC	-	305
Deferred revenue (Note 12)	921	960
Group health and life insurance retirement benefits (Note 13)	11,040	10,158
Capital replacement fund (Note 14)	7,386	7,713
Mortgage insurance fund (Note 15)	3,252	3,245
Mortgages, debentures and similar indebtedness (Note 16)	29,563	36,555
CMHC investment in cost-shared programs (Note 17)	133,916	143,072
	201,420	213,318
Equity		
Contributed capital - Province of Newfoundland and Labrador (Note 18)	62,861	62,861
Deficit	(985)	(4,402)
	61,876	58,459
	$ 263,296	$ 271,777

Contingent liabilities (Note 19)

Commitments (Note 20)

See accompanying notes

Signed on behalf of the Board:

Chairperson **Member**

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND DEFICIT
For the Year Ended 31 March

	2007 (000's)	2006 (000's)
REVENUES		
CMHC (Note 22)	$ 60,274	$ 59,588
Rent	18,727	19,275
Province of Newfoundland and Labrador operating grant	15,111	9,650
Interest	6,821	7,646
Other income	824	295
Gains on mortgages, loans and repossessions	384	-
Profit from land sales by municipalities	376	410
Land assemblies sales	75	561
Gain on sale of rental properties	-	161
	102,592	97,586
EXPENSES		
CMHC share of interest revenue	699	967
Community based housing operating subsidies	9,859	9,585
Grants to homeowners	10,174	7,601
Interest expense	3,091	3,698
Land assemblies costs (Note 8)	141	459
Losses on mortgages, loans and repossessions	-	475
Loss on sale of rental properties	71	-
Mortgage subsidies	1,480	1,785
Municipal receivable write-off	-	234
Administrative expenses (Note 23)	15,521	15,437
Rent supplement subsidies	3,660	3,537
Rental properties write-off	1,026	282
Rental properties expenses (Note 24)	53,453	52,913
	99,175	96,973
Excess of revenues over expenses	3,417	613
Deficit, beginning of year	(4,402)	(5,015)
Deficit, end of year	$ (985)	$ (4,402)

See accompanying notes

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2007 (000's)	2006 (000's)
Cash flows from operating activities:		
Excess of revenues over expenses	$ 3,417	$ 613
Add (deduct) non-cash items:		
Mortgage subsidies	1,480	1,785
(Gains) losses on mortgages, loans and repossessions	(384)	475
Amortization of rental properties (Note 24)	6,866	6,495
Amortization of community based housing	689	622
Amortization of Labrador Housing Programs	775	819
Write-off of rental properties	1,026	282
Loss (gain) on sale of rental properties	71	(161)
Amortization of capital assets	501	436
CMHC portion of non-cash items	769	791
Group health and life insurance retirement benefits (Note 13)	882	726
	16,092	12,883
Net change in other operating items	(2,900)	1,479
	13,192	14,362
Cash flows from investing activities:		
Advances of mortgages and loans	(1,473)	(1,969)
Principal recoveries of mortgages and loans	5,321	5,475
Proceeds from sale of rental properties	387	1,502
Investment in capital assets	(1,937)	(581)
Labrador Housing Programs	(11)	(55)
	2,287	4,372
Cash flows from financing activities:		
Repayments of mortgages, debentures, and similar indebtedness	(6,992)	(7,969)
Repayments of CMHC investment in cost-shared programs	(9,925)	(10,221)
	(16,917)	(18,190)
(Increase) decrease in bank indebtedness	(1,438)	544
Bank indebtedness, beginning of year	(2,110)	(2,654)
Bank indebtedness, end of year	$ (3,548)	$ (2,110)

See accompanying notes

Authority

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs and interest.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated amortization and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from Government departments, costs have been recorded at $1. Amortization is calculated using the methods described below based on the expected useful lives of all assets as follows:

1. Significant accounting policies (cont.)

(d) Rental properties (cont.)

Non-profit housing	
- Capital cost	Sinking fund, 25-50 years
- Renovation costs	Sinking fund, 15 years
Market housing	
- Capital cost	2% declining balance
- Renovation costs	Straight line, 15 years

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the methods described below based on the expected useful lives of all assets as follows:

Office buildings	2% declining balance
Furniture and office equipment	Straight line, 10 years
Computer hardware and software	Straight line, 4 years
Vehicles	Straight line, 5 years

(f) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

(g) Revenue recognition

Interest income is accounted for on the accrual basis for all mortgages and loans other than the impaired portion of mortgages and loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the year.

2. Accounts receivable

	2007 (000's)	2006 (000's)
Rents	$ 159	$ 217
Miscellaneous	2,575	1,792
	2,734	2,009
Less: allowance for doubtful accounts	103	157
	$ 2,631	$ 1,852

3. Due from the Province of Newfoundland and Labrador - Labrador Housing Programs

In March 2000, the Province directed the Corporation to fund the renovation of existing dwellings and construction of new dwellings in Northern Coastal Labrador. In March 2002, the Province directed the Corporation to fund the construction of a personal care home in Mary's Harbour.

Under these initiatives, title to these dwellings is held by the homeowners with the Province repaying the renovation and construction costs over a 15 year period. As at 31 March 2007 the amount due from the Province was $5,041,000 (2006 - $5,805,000).

These projects are being amortized over a 15 year period at $1,050,000 annually.

4. Inventory and prepaid expenses

	2007 (000's)	2006 (000's)
Inventory	$ 521	$ 527
Prepaid expenses	2,885	2,746
	$ 3,406	$ 3,273

5. Mortgages and loans receivable

	2007 (000's)	2006 (000's)
Subsidized mortgages to homeowners	$ 7,515	$ 10,606
Residential Rehabilitation Assistance Program loans	7,049	9,081
Provincial Home Repair Program	7,050	6,951
Other mortgages and loans	1,931	2,970
	23,545	29,608
Less: allowance for impaired accounts	2,308	3,414
	$ 21,237	$ 26,194

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

6. Receivable from municipalities re: land transfers

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreement. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

As of 31 March 2007, twenty agreements have been completed for the transfer of lands to municipalities at a carrying value of $1,967,000 (2006 - $2,384,000).

7. Repossessed units

	2007 (000's)	2006 (000's)
Repossessed units	$ 59	$ 41
Less: allowance for impairment	39	34
	$ 20	$ 7

8. Land assemblies

	2007 (000's)	2006 (000's)
Land assemblies, beginning of year	$ 7,684	$ 7,952
Cost incurred during the year:		
Land acquisition and development	968	40
Interest, capitalized	234	151
	8,886	8,143
Less: cost of earned sales recognized during year	141	459
Land assemblies, end of year	$ 8,745	$ 7,684

Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them. In September 1998, the Province directed the Corporation to divest of the majority of its land holdings.

9. Rental properties

	2007			2006
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Net Book Value (000's)
Non-profit housing				
- Capital cost	$ 256,333	$ 53,577	$ 202,756	$ 211,301
- Renovation costs	4,981	2,014	2,967	3,317
Market housing				
- Capital cost	6,560	2,632	3,928	4,072
Leased land	133	-	133	133
	$ 268,007	$ 58,223	$ 209,784	$ 218,823

10. Capital assets

	2007			2006
	Accumulated Cost (000's)	Net Amortization (000's)	Book Value (000's)	Net Book Value (000's)
Office buildings	$ 7,732	$ 2,587	$ 5,145	$ 5,250
Furniture and office equipment	111	72	39	50
Computer hardware and software	2,068	426	1,642	195
Vehicles	2,069	1,704	365	260
	$ 11,980	$ 4,789	$ 7,191	$ 5,755

11. Bank indebtedness

Bank indebtedness consists of an operating loan with a limit of $6,000,000 and interest rate at prime.

12. Deferred revenue

	2007 (000's)	2006 (000's)
Rentals	$ 921	$ 960

Deferred revenue rentals consist of rental payments received by the Corporation in advance of the due dates.

13. Group health and life insurance retirement benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health benefits. As at 31 March 2007, the plans provided benefits to 150 retirees.

The actuarial valuation prepared by the Corporation's actuary was based on a number of assumptions about future events including an interest rate of 6%, health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Corporation's best estimates of expected long-term rates and short-term forecasts.

13. Group health and life insurance retirement benefits (cont.)

Group health and life insurance retirement benefits liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	Estimated Accrued Benefit Obligation	Unamortized Experience Losses	Net Liability 2007	Net Liability 2006	Change
	(000's)	(000's)	(000's)	(000's)	(000's)
Group health retirement benefits	$10,872	$(1,149)	$ 9,723	$ 8,926	$ 797
Group life insurance retirement benefits	1,337	(20)	1,317	1,232	85
	$12,209	$(1,169)	$11,040	$10,158	$ 882

There are no fund assets associated with these plans.

Group health and life insurance retirement benefits expense

In these statements group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

	Corporation's Share of Current Period Costs	Interest Expense on the Liability	Corporation's Current Period Contributions	Current Period Amortization of Experience Changes	Change
	(000's)	(000's)	(000's)	(000's)	(000's)
Group health retirement benefits	$ 231	$ 614	$ (169)	$ 121	$ 797
Group life insurance retirement benefits	18	75	(10)	2	85
	$ 249	$ 689	$ (179)	$ 123	$ 882

Experience gains or losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2007 resulted from a change in the discount rate used by the actuary and an increase in health premium rates.

14. Capital replacement fund

In accordance with program guidelines for non-profit and urban native housing projects, sponsor groups are required to set aside funds for the replacement of major capital items. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred.

Transactions relating to the capital replacement fund during the year are as follows:

	2007 (000's)	2006 (000's)
Balance, beginning of year	$ 7,713	$ 8,008
Capital replacement expenditures	(327)	(295)
Balance, end of year	$ 7,386	$ 7,713

15. Mortgage insurance fund

Upon signing the Canada - Newfoundland Social Housing Agreement (see Note 22), the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that are owned and were previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a $3,000,000 mortgage insurance fund as protection against future losses. Losses on loans are deducted from the fund, while interest earnings were added to the fund until 1 April 2003. The Corporation ceased accruing interest as of 1 April 2003.

	2007 (000's)	2006 (000's)
Balance, beginning of year	$ 3,245	$ 3,393
Gains (losses) for the year	7	(148)
Balance, end of year	$ 3,252	$ 3,245

The fund covers a portfolio of federal loans totalling $158,933,062. The majority of these loans relate to either Social Housing projects that receive significant federal/provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

16. Mortgages, debentures and similar indebtedness

	2007 (000's)	2006 (000's)
With fixed terms of repayment		
(a) CMHC fixed rate term debentures, at an interest rate of 4.12% repayable in blended annual installments of $2,093,539, with final due dates ranging from March 2022 to January 2030	**$ 26,570**	$ 27,563
(b) Toronto Dominion Bank fixed rate bankers acceptances, at an interest rate of 4.35%, due on 13 April 2007	**2,993**	8,992
	$ 29,563	$ 36,555

Principal repayments for the next five years on the $29,563,000 of debt with fixed terms of repayment are as follows:

	(000's)
2008	$ 4,024
2009	$ 1,074
2010	$ 1,119
2011	$ 1,165
2012	$ 1,218

17. CMHC investment in cost-shared programs

	2007 (000's)	2006 (000's)
Non-profit rental housing	**$ 89,203**	$ 90,158
Rural and native housing	**39,126**	45,697
Home repair assistance	**5,587**	7,217
	$ 133,916	$ 143,072

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual federal grant paid by CMHC, pursuant to the Canada - Newfoundland Social Housing Agreement signed in April 1997 (see Note 22).

Repayment of CMHC's investment in the home repair assistance programs has no fixed term and is dependant upon future repayments of principal and interest on mortgages and loans.

18. Contributed capital - Province of Newfoundland and Labrador

Contributed capital represents accumulated capital advances of $62,861,000 made to the Corporation by the Province. These advances are utilized by the Corporation to develop housing projects, land assemblies and related programs for the benefit of the residents of the Province.

19. Contingent liabilities

(a) Claims have been filed against the Corporation for:

(i) General damages related to the enforcement of a Sales and Development Agreement for a shopping mall complex.

(ii) $100,000 relating to funds withheld from a contractor for deficiencies on houses constructed. This claim was filed by the contractor against both the Corporation (the mortgagee) and the homeowners of the houses.

(iii) Special damages related to an alleged breach of contract and/or negligence relating to the sale of an apartment and commercial complex property.

The above claims have not progressed far enough to enable the formation of a definite opinion as to their outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

(b) The Corporation has provided guarantees on outstanding mortgage balances totalling $341,907 for qualifying homeowners. Presently the probability of loss resulting from these guarantees is unlikely.

(c) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled $2,600,000. As well, based on the studies completed to date, further remediation is estimated to cost $10,000,000.

(d) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of $6,000,000.

19. Contingent liabilities (cont.)

(e) In 1999, the Corporation learned of possible environmental liabilities relating to 17 underground fuel tanks in its Buckmaster's Circle rental property. As a result of an environmental study conducted in 2000, the cost of environmental remediation related to this property is estimated at $1,000,000. To date, expenditures related to this work have totalled $317,000. All 17 tanks have been removed and remediation has been completed on 7 of the 17 sites.

(f) During 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. The cost of environmental remediation is estimated at $1,400,000.

20. Commitments

The Corporation has commitments totalling $5,332,046 comprised of uncompleted purchase and construction contracts at year end of $2,772,256 and commitments under lending programs of $2,559,790.

21. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of accounts receivable, due from/to CMHC, bank indebtedness, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the short-term financial instruments.

The Corporation's long-term financial instruments recognized on the balance sheet consist of due from the Province of Newfoundland and Labrador - Labrador Housing Programs, mortgages and loans receivable, receivable from municipalities re: land transfers, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. Any estimated impairment of mortgages and loans receivable and receivable from municipalities re: land transfers is provided for through an allowance for impaired accounts and no further credit risk exists for these long-term receivables. Interest rates on the majority of mortgages and loans receivable and on mortgages, debentures and similar indebtedness are fixed to maturity. Therefore, the carrying values of these long-term financial instruments approximate their fair value and these instruments are not subject to any material interest rate risk.

22. Revenue from CMHC

CMHC's share of program subsidies and administration costs are as follows:

	2007 (000's)	2006 (000's)
1997 Canada-Newfoundland Social Housing Agreement	$ 53,082	$ 53,784
Provincial Home Repair Program	4,466	4,528
Affordable Housing Program	2,718	939
Mortgages	10	12
Residential Rehabilitation Assistance Program	(2)	325
	$ 60,274	$ 59,588

On 22 April 1997, the Corporation signed the Canada - Newfoundland Social Housing Agreement with CMHC replacing all existing social housing program agreements between the two parties relating to social housing programs, with the exception of certain loan and mortgage programs.

23. Administrative expenses

	2007 (000's)	2006 (000's)
Advertising and promotion	$ 75	$ 65
Computer system costs	1,155	1,161
General	459	449
Office equipment leases	50	54
Office equipment purchases	55	34
Office supplies	144	134
Rent, heat, light, cleaning and maintenance	1,004	1,027
Salaries and employee benefits	11,836	11,782
Telephone and postage	323	329
Travel and vehicle expenses	420	402
	$ 15,521	$ 15,437

24. Rental properties expenses

	2007 (000's)	2006 (000's)
Amortization	$ 6,866	$ 6,495
Bad debts	-	72
Heat, light and operating	8,816	8,598
Interest on debt	18,764	19,873
Municipal taxes	4,878	4,640
Repairs and maintenance	14,129	13,235
	$ 53,453	$ 52,913

25. Pensions

Under the *Housing Corporation Act*, Corporation staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2007 was $956,685 (2006 - $929,000).

26. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental properties expenses.

27. Province of Newfoundland and Labrador contribution

The Province of Newfoundland and Labrador contributes approximately 15% (2006 – 10%) of the Corporation's total revenues. The contribution enables the Corporation to carry out its overall mandate and to meet its fiscal challenges.

The Corporation's ability to continue to fulfill its mandate is dependent upon the decisions of the Province of Newfoundland and Labrador.

28. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

Newfoundland Labrador
Housing

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